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Message Text

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17/43
ACTION NEA-16

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 SWF-02 PA-04 PRS-01

USIA-15 AGR-20 DRC-01 /187 W
---------- 084325
P 291031Z MAY 74
FM AMCONSUL KARACHI
TO SECSTATE WASHDC PRIORITY 8144
AMEMBASSY ISLAMABAD PRIORITY

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C O R R E C T E D C O P Y FOR MRN 1200 VICE 120

E.O. 11652: N/A
TAGS: BPRO, ENRG, PK
SUBJECT: TERMS OF TEXAS GULF EXPLORATION CONCESSION

REF: STATE 111374

1. FOLLOWING RECEIPT REFTEL I SPOKE AT SOME LENGTH THIS MORNING WITH LOCAL TEXAS GULF REP YUSUF BHAIMIA. BHAIMIA CONFIRMED STATE TEXAS GULF NEGOTIATIONS AS OUTLINED REFTEL BUT ADDED IT WAS IN FACT INDUSTRIES MINISTER J.A. RAHIM WHO, DURING MEETING OF CABINET ECONOMIC SUB-COMMITTEE, STRENOUSLY OPPOSED PERMISSION TO LIQUIFY AND EXPORT ANY GAS DISCOVERED BY TEXAS GULF, CARRYING THE SUB-COMMITTEE WITH HIM. (BHAIMIA JUDGES JOINT SECRETARY MANSOOR AHMED TO BE LESS OPPOSED TO EXPORT THAN RAHIM OR PERHAPS EVEN FAVORABLE TO IT.) RAHIM'S OPPOSITION EVIDENTLY BASED ON HIS BELIEF THAT LARGE SCALE GAS EXPORT WOULD CONSTITUTE A FRITTERING AWAY OF COUNTRY'S SCARCE NATURAL RESOURCES WHEN THEY
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SHOULD BE CONSERVED OR USED AT HOME FOR SUCH CRUCIAL

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ACTIVITIES AS FERTILIZER MANUFACTURE. BHAIMIA FURTHER BELIEVES THAT, IN VIEW OPPOSITION J.A. RAHIM, ANY APPROACH TO FINANCE MINISTER MUBASHIR HASAN WOULD BE FRUITLESS IF NOT COUNTERPRODUCTIVE, SINCE MUBASHIR DOES NOT HAVE CLOUT TO OVERRULE RAHIM AND MIGHT IN FACT END UP TAKING HIS SIDE. IF ABOVE CORRECT ESTIMATE OF SITUATION (AND BHAIMIA SEEMS MATURE, ASTUTE PERSON) THEN ONLY POSSIBLE MEANS OF OBTAINING REVERSAL ECONOMIC SUB-COMMITTEE DECISION WOULD APPEAR TO BE APPROACH BY TEXAS GULF AT PRIME MINISTER LEVEL. POSSIBILITY OF MOULTON BEING ABLE TO PERSUADE PM BHUTTO BY HIMSELF OF DESIRABILITY ALLOW MASSIVE EXPORT PAKISTANI GAS RESERVES AGAINST ADVICE HIS PRODUCTION MINISTER WOULD SEEM RATHER SLIM BUT FROM TEXAS GULF VIEWPOINT IT MIGHT BE WORTH A TRY.

2. BY WAY OF BACKGROUND BHAIMIA SAID ANY GAS DISCOVERY WOULD HAVE TO BE ON ORDER OF AMOUNT DISCOVERED AT SUI (THE MAJOR FIELD IN PAKISTAN) IN ORDER TO MAKE LIQUIFACTION AND EXPORT ECONOMIC, SINCE LIQUIFACTION PLANT AND PIPELINE WOULD COST IN NEIGHBORHOOD OF $500 MILLION AND FLEET TO TRANSPORT LPG ANOTHER $500 MILLION FOR A TOTAL OF $1 BILLION OVERALL INVESTMENT. BHAIMIA ARGUES THAT GOP'S SHARE OF ABOUT 47 PERCENT IN SUCH A FIELD WOULD BE SO LARGE THAT IT SHOULD NOT WORRY ABOUT EXPORT OF REMAINDER. HE CLAIMS THAT NO FOREIGN OIL FIRM WOULD COME IN TO DO NECESSARY EXPLORATION WORK UNLESS IT HAD RIGHT TO LIQUIFY AND EXPORT SINCE SALE AND PAYMENT IN PAKISTAN, EVEN AT INTERNATIONAL WELL HEAD PRICES, WOULD BE TOO RISKY TO WARRANT NECESSARY INVESTMENT.
BRYANT

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Draft Date: 29 MAY 1974
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